

PD-ABU. -733  
113134

**YEAR THREE MATCHING GRANT ANNUAL REPORT**

**To the United States Agency for International Development**

**In fulfillment of the 1998-2003 AID/Opportunity International Grant  
FAO-A-00-98-00070-00**

**Submitted by Opportunity International  
December 2001**

## PROJECT SUMMARY

The Opportunity International Network collectively set a goal to assist 1.4 million poor families from 1997 to 2002 through the provision of microenterprise loans worth \$588 million. These loans, in conjunction with basic business training, create employment and income opportunities that enable families in chronic poverty to transform their lives.

In partnership with USAID through the BHR/PVC Matching Grant, Opportunity International is many steps closer to reaching this goal. The OI Network improves the access and availability of information and resources in best practices for its Partner Agencies that work directly with clients. USAID Matching Grant funding allows Opportunity International to assist two Partners, Zambuko Trust and the Institute for Honduran Development (IDH), to build capacity in **product quality and focus; program efficiency and cost-effectiveness; and human resources growth and development** so that these agencies can effectively manage their part in the exponential growth required to reach 1.4 million poor families by 2002.

### Principle Accomplishments and Priorities for the Future

**ZAMBUKO** – As of September 30, 2001, Zambuko Trust had nearly 9,000 clients outstanding and had impacted over 18,000 jobs. Over the last two years, Zambuko has faced enormous obstacles due to Zimbabwe's worsening economic situation. Inflation is rising and the Zim Dollar is facing continuing devaluation. Unemployment is nearing 65%, and there is little consumer purchasing power. In light of these difficult circumstances, Zambuko's primary goals over the next two years are to achieve operational sustainability, and succeed in obtaining private placement in order to ensure the long-term future of the organization.

**IDH** – During 2001, IDH grew at a rate of 52% from 4,000 clients to over 6,400. IDH opened a new office in La Ceiba, Atlantida, and expanded its regional office in Juticalpa, Olancho. Over the last two years, IDH has been working to build a strong lending staff and good infrastructure to support high-quality growth in the final two years of the Grant. After working to establish a strong Trust Bank program, IDH will now focus its efforts towards building their Individual Loan program in order to achieve final grant objectives.

**OPPORTUNITY INTERNATIONAL** – Opportunity International continues to improve in outreach and quality with an increase in number of clients from 214,000 at the end of Grant Year Two to over 280,000 at the end of Grant Year Three. Operational sustainability increased from 95.5% to 95.9%, and arrears past 30 days dropped from 6.6% to 5.2%.

OI has developed a new growth strategy that incorporates a more commercial approach in helping Partners achieve their challenging goals and objectives. During 2001, OI saw several outcomes from this objective:

- A new Network structure was finalized

- OI developed several new manuals and toolkits
- OI's MIS division initiated the installation of a new portfolio management system for Implementing Partners
- OI's investment vehicle experienced significant growth and activity
- OI has begun the process of the conversion of several of its NGO partners to formal financial institutions

## TABLE OF CONTENTS

- I. Background to Grant and Project Context
- II. Project Methodology
- III. Monitoring and Evaluation
- IV. Review and Analysis of Project Results by Country
  - IDH (Honduras)
  - Zambuko (Zimbabwe)
- V. Management: Review and Analysis of Headquarters/Support Functions
- VI. Financial Report
- VII. Lessons Learned and Long-Term Project Implications
- VIII. Attachments
  - Country data sheets
  - DIP Logical Framework
  - Network Structure Organizational Chart

## **Section I – Background to Grant and Project Context**

In 1997 Opportunity International made over 100,000 loans totaling \$28 million. That same year the Opportunity International Network collectively set a goal of reaching 1.4 million poor families over a period of 5 years with microenterprise loans worth \$588 million. These loans, in conjunction with basic business training create employment and income opportunities that enable families in chronic poverty to transform their lives. This transformation represents the fundamental goal of Opportunity International.

To reach this goal, Opportunity International recognized it must transform its structures and service delivery systems; build its human resources capacity; enhance its product quality, focus and transformational impact; upgrade its MIS and back office systems; and create new legal structures and funding mechanisms that provide the major debt and equity financing required for this major expansion.

In 1997 Opportunity Network Partners agreed to formalize and strengthen their relationships by creating:

- A membership organization governed by representatives from Implementing and Support Partners
- An accreditation process with defined standards that will lead to membership
- Network Service Centers focusing on Accreditation, MIS, training & research, Trust Banks, Growth Loans, Governance, and Information and Reporting.

The Matching Grant is providing substantial seed resources to carry out this requisite transformation of the Opportunity Network.

### **Assisting the Poor Through Microfinance**

Poor people have severely limited access to local, affordable credit and savings services from stable community lending organizations. When credit is available to start or expand a business, clients can increase their incomes and create new jobs in their communities. Increased incomes and new jobs provide families with resources for adequate food, shelter, clothing, health care and schooling for children. Clients also need to have a local lending organization that can stay with them as their business grows by providing larger loans and counsel on managing a growing business.

In partnership with USAID through the BHR/PVC Matching Grant, Opportunity International is providing Zambuko Trust and IDH with the technical services and capacity building expertise needed to increase their outreach to poor people in Honduras and Zimbabwe with growing quality in their services.

### **Project Context**

## Zimbabwe

In recent years, Zimbabwe has experienced sharp declines in many social indicators. Infant, child, and maternal mortality are all rising, primary school completion rates are falling, and educational and healthcare systems are seriously threatened. The economy is also experiencing serious decline represented by almost zero growth over the past three years, a 70% inflation rate, steady devaluation and unemployment nearing 65%.<sup>1</sup>

According to the CIA World FactBook, 60% of Zimbabwe's citizens fall below the poverty line. Food costs rose 1,371% between 1990 and 1999. Rent rates are up 580%; medical care is up 960%; and education costs have increased by 642% over that same period of time.<sup>2</sup> This dire economic scenario translates into a day-to-day struggle for the poorer members of Zimbabwe's population to meet their basic needs.

Through the Matching Grant, Zambuko Trust is able to improve the quality of its existing program and expand it to reach the thousands of Zimbabweans affected by the tumbling economy.

## Honduras

On October 29, 1998, Hurricane Mitch caused immense human and physical devastation in Honduras, one of the poorest countries in the Western Hemisphere. 5,600 people lost their lives and ½ of the population ended up in refuge centers. Approximately 2/3 of the population was directly affected and 70% of the country's infrastructure damaged. The immediate impact on the major economic sectors -- including the banana, sugar, and shrimp agroindustries; cattle, export free zones and tourism -- was estimated in the billions. As a result of the storm, unemployment increased from 32% to 42% due to the breakdown of the formal sector of the economy.

Although much progress had been made in repairing the devastation caused by Hurricane Mitch, Honduras is now suffering the effects of two years of dry weather, and a large drop in coffee prices. Hundreds of thousands of farmers and laborers depend on coffee production as their primary source of income.<sup>3</sup> The two-year dry spell has caused drought conditions in southern, central, and western Honduras heavily effecting small, subsistence farmers, and causing food shortages.<sup>4</sup> Growth in the economy has slowed with an estimated GDP growth of only 3.5 percent this year. Economic growth is expected to continue declining due to the drought, reduced manufacturing, low coffee prices, and the US economic slowdown.<sup>5</sup>

---

<sup>1</sup> USAID Zimbabwe *Congressional Presentation 2001*. [www.usaid.gov/bups/bj2001/afr/zw/](http://www.usaid.gov/bups/bj2001/afr/zw/). November 9, 2000.

<sup>2</sup> UNDP *Zimbabwe Human Development Report*. 1999

<sup>3</sup> USAID Fact Sheet: USAID Assistance to Central America Region Update #2. [www.usaid.gov/press/releases/2001/01fs\\_car\\_update\\_090701.html](http://www.usaid.gov/press/releases/2001/01fs_car_update_090701.html). pp. 3, September 7, 2001.

<sup>4</sup> USAID Fact Sheet: USAID Assistance to Central America Region Update #2. [www.usaid.gov/press/releases/2001/01fs\\_car\\_update\\_090701.html](http://www.usaid.gov/press/releases/2001/01fs_car_update_090701.html). pp. 2-3, September 7, 2001.

<sup>5</sup> USAID Fact Sheet: USAID Assistance to Central America Region Update #2. [www.usaid.gov/press/releases/2001/01fs\\_car\\_update\\_092001.html](http://www.usaid.gov/press/releases/2001/01fs_car_update_092001.html). pp. 3, September 20, 2001.

IDH continues to expand its credit programs to provide financial services to microentrepreneurs currently not being served by microfinance organizations. During the next three years, IDH will increase its active client base from 3,255 up to 9,135. Nevertheless, with 53% of its population living below the poverty line and an unemployment rate of 28%, there is still much to accomplish.<sup>6</sup>

## **SECTION II – Project Methodology**

Opportunity International's goal for the Matching Grant Program is to create employment and income opportunities for poor families in Zimbabwe and Honduras through small and microenterprise development, enabling them to transform their lives.

The primary purpose of the project is to help Zambuko Trust in Zimbabwe and IDH in Honduras to increase their outreach and improve their services to the poor in their respective countries. This will be accomplished through an increase in the size of the loan portfolio; reaching financial sustainability by the end of the project; providing training in business management, leadership and basic life skills to their clients; targeting women; and opening additional branch lending offices.

Opportunity is working to build IDH's and Zambuko's capacity in the following 4 areas to enable this program to reach its objectives: Capital Growth; Product Quality & Focus; Program Efficiency & Cost-Effectiveness; and Human Resources Growth & Development.

To best build this capacity in its Partners, the Opportunity Network has refocused and restructured into the following divisions:

- Network Management Division
- Investment Services Division
- Technical Services Division
- Policy and Research Division
- MIS Division

### **Outputs and Product**

At the end of the grant period, Opportunity International will have produced the following: membership organization governed by representatives from Implementing and Support Partners; an accreditation process with defined standards that will lead to membership; Network Technical expertise focusing on Accreditation, MIS, training & research, Trust Banks, Growth Loans, Governance, and Information and Reporting.

---

<sup>6</sup> CIA World Factbook – Honduras. [www.odci.gov/cia/publications/factbook/geos/ho.html](http://www.odci.gov/cia/publications/factbook/geos/ho.html).

The following tools and products will be created: 1) Trust Bank Manual, Toolkit & Operations Guide; 2) Growth Loan Manual & Toolkit; 3) Governance Toolkit; 4) Accreditation Manual & Toolkit; 5) Institutional Self-Diagnostic Toolkit; 6) Computer-based Business Planning Model & Manual; 7) Guide for Choosing Accounting & Loan Portfolio Management Software; and 8) Executive Director & Middle Management Training Curriculum and Toolkit.

At the end of the project, Zambuko Trust and IDH collectively will be serving over 35,000 clients at full operational sustainability.

### **Program Target Groups**

OI targets the very poorest and women as borrowers. Eighty-four percent of OI's loans are provided to women (Zambuko Trust – 83%; IDH – 85%). OI's worldwide average loan size is \$196 (Zambuko Trust – \$209; IDH – \$187). OI's client base is divided as follows:

- *Trust Bank clients* have few, if any, assets, limited chances to earn income, and are often itinerant or street sellers. These clients live in squatter homes with little or no access to public services, very limited educational opportunities, are malnourished, and earn household incomes well below the poverty line.
- *Solidarity Group clients* run home-based commercial and production businesses and sometimes have small shops or stands. Household incomes are below the poverty line. These clients have unreliable public services, semi-nutritional diets, and usually can afford to educate their children.
- *Individual Loan clients* typically hover around the poverty line and are unable to access credit through the formal banking sector.

### **Gender Equity Issues**

Opportunity International recognizes that a large majority of the world's poorest are women. OI has made it a priority to support programs that serve the particular needs of women, and is committed to promoting gender sensitivity and gender equity at the organizational and client level through the following: Trust Bank lending methodology which specifically targets the holistic transformation of women; an International Gender Task Force; integrating gender into job descriptions; creating gender performance standards; serve as a resource/guide for partners on creating a gender policy; annual report on gender performance; and integrating gender into standard reporting.

In addition, OI has undertaken the following gender specific projects:

- A two-and-a-half-year evaluation of its Trust Bank program in order to ensure that it continue to meet the needs of poor women.
- Drafted a gender statement that will be reviewed by the Network Board in 2002.
- Develop a paper commissioned by the Microcredit Summit Campaign on "Empowering Women Through Microfinance" which will be presented November 2002 at the Microcredit Summit +5 meeting in New York.

The Women's Opportunity Fund (an Opportunity Support Partner) also initiated its first round of grants for Promoting Gender Equity and Women in Leadership. Four \$15,000 grants supported the following projects:

1. ASIA – Philippines: Promotion of Gender Responsive microfinance Practices.
2. LATIN AMERICA – Dominican Republic, Peru, Colombia, Nicaragua: Women in Leadership Scholarship Fund and Internship.
3. AFRICA – Egypt, Ghana, Uganda, Malawi, Zimbabwe, Zambia: Gender Training of middle Management.
4. EASTERN EUROPE – Montenegro, Russia, Albania, Bulgaria, Romania, Croatia, Macedonia and Poland: Effective Human Resources Management.

### **Comparison of Actuals with Projected**

#### *Opportunity International*

In Quarter One of the grant year, OI finalized the new Network structure. The new structure absorbed the MIS, Trust Bank, Growth Loan, and Network Information & Reporting Centers into the following three divisions: Network Management Division; Technical Services Division (TSD); and the Investment Services Division.

Over the course of the year, OI produced the following resources: final version of the Trust Bank Toolkit (Quarter Four); HR manual (Quarter Three); three product manuals and one training guide for OI's Partner in Zambia (Quarter Four); and a training curriculum for weekly Trust Bank meetings (Quarter Four).

In 2001, OI's MIS division (part of the Technical Services Division) implemented the Temenos eMerge portfolio management system at OI's Partners in Ghana, Zambia, Malawi, the Philippines and Albania.

Additionally in 2001, Opportunity's investment vehicle, Opportunity Transformation Investments (OTI), experienced significant growth in programmatic and monetary value. OTI's current balance is US\$2.2 million and has provided three equity investments, one loan and two loan guarantees to a total of six OI Partners.

In December 2000, the TSD developed technical assistance plans for Implementing Partners. In Quarters Two and Three of the grant year, Opportunity developed a strategic planning process, which was implemented in 12 Partners.

Although OI fell behind in providing some of the projected technical assistance to IDH and Zambuko Trust, OI did provide the following technical assistance to the two partners: IDH – strategic planning, Loan Officer training and curriculum development, Board retreat; Zambuko Trust – strategic planning, MIS pre-installation, impact assessment workshop, Trust Bank curriculum development.

The following remains to be completed in the final two years of the grant:

1. Trust Bank Operations Guide
2. Trust Bank Manual published in Russian and Indonesian
3. ED and Middle Management Training Curriculum and Toolkit
4. Growth Loan Manual and Toolkit
5. A Guide for Choosing Accounting and Loan Portfolio Management Software
6. On-going training of and technical assistance to IDH and Zambuko Trust
7. Complete incorporation of qualitative and transformation indicators into MIS
8. Mid term evaluation
9. Final evaluation

The mid term evaluation will be undertaken in Quarter Two of Grant Year Four. The final evaluation will occur in Quarter Four of Grant Year Five.

#### *Zambuko Trust*

At the end of September 2001, Zambuko had 8,720 clients outstanding. Due to funding constraints, Zambuko was unable to open the projected four new branches office or hire a third regional manager as originally planned. Due to the recent economic climate, Zambuko was not able to achieve operational viability nor hire any additional lending personnel.

The implementation of eMerge is on hold until the OI MIS team is able to work out some problems encountered in other Partners who have received the system. An MIS technical assistant did come to Zambuko to assist Zambuko's MIS staff in the pre-installation phase.

Loan officers and managers attended several workshops and participated in two exchange visits with OI's Partner in Zambia.

#### *Instituto para el Desarrollo Hondureño (IDH)*

As of September 30, 2001, IDH had 6,169 clients outstanding and was 104% operationally sustainable. over the course of the year, IDH opened a new office in La Ceiba, Atlantida, and expanded its regional office in Juticalpa, hiring and training new Loan Officers to fill the open positions.

For the first years of the grant, IDH has focused on building a strong infrastructure and staff capacity to enable the organization to increase its growth in the final years of the grant in order to obtain grant objectives. Due to this strategy, IDH may not make the middle year grant objectives; however, IDH fully intends to reach the final grant objectives as specified in the DIP.

### **SECTION III – Monitoring and Evaluation**

## Partner Refinements – IDH and Zambuko Trust

In Grant Year Two, Zambuko Trust experienced a large reduction in activities due to Zimbabwe's poor macroeconomic conditions. In March of 2001, Opportunity International and Zambuko Trust presented the following revision of grant targets to USAID/PVC during a visit to Opportunity's Chicago office.

INDICATOR	Year 3	Year 4	Year 5
EXCHANGE TO US\$	55:1	90:1	120:1
<b>Clients</b>			
# of loan clients outstanding	17,266	22,624	26,750
% female	75%	75%	75%
# Indirect Beneficiaries **	86,330	113,120	133,750
# of jobs impacted	39,348	45,780	57,333
<b>Lending</b>			
# of loans made	26,232	30,580	38,222
Average Loan Size USD	164	151	141
Average Loan Size Zim\$	9,046	13,557	16,893
Portfolio size USD	1,872,556	2,257,125	2,576,395
Portfolio size	102,990,600	203,141,260	309,167,412
Loan loss	2.9%	2.9%	2.9%
Client to Loan Officer Ratio	252	252	252
Financial Viability	75%	85	90%
Operational Viability	105%	109%	121%
<b>Institution</b>			
# of loan officers (incl. Branch Mgr.)	70	85	100

Upon completion of the visit, these changes were approved by USAID.

One baseline number for IDH has changed. At the time of the Detailed Implementation Plan, IDH was undergoing restructuring and the cleaning of all bad debt caused by Hurricane Mitch. After the DIP was submitted, a greater amount of bad debt was found, and IDH was forced to write off a large portion of its portfolio, reducing the baseline number of clients from 3,252 to approximately 2,000. The rest of the targets, benchmarks of project progress and critical indicators of effectiveness remain the same as originally proposed in the DIP.

Opportunity International continues to track financial and performance outputs/targets of IDH and Zambuko Trust on a Quarterly Basis. Through the use of an excel based reporting system, Quarterly Data Reports, Trend Analysis Reports, and Comparative Performance Reports are compiled for Zambuko Trust and IDH each quarter by the Opportunity Network office.

In addition to these quantitative indicators, qualitative indicators such as governance and transformation (sustained economic, social, political, and value based changes) are also

measured. Both the quantitative and qualitative indicators are placed in a scoring system. This scoring system provides comparison reporting between the Partners of the Opportunity Network.

### **Status of Midterm Assessment**

OI will undergo a midterm assessment in Quarter Two of 2002.

### *Specific Efforts to Address Gender Issues/Considerations*

In June 2001, the Network passed a gender policy that not only focuses on promoting gender equity and sensitivity among Opportunity clients, but also focuses on gender equity and sensitivity development in the policies, staff, management, governance and impact measurement of each Partner and the Network structure itself.

In keeping with the spirit of the Network gender policy, the OI has developed a strategy to achieve the policy objectives. This strategy has four basic components: 1) standards development and accountability, 2) monitoring and reporting, 3) communication, and 4) resource development and dissemination. The implementation of this strategy will be voted on in January 2002 at the Network Management meeting.

Key elements of the four basic components are as follows:

- Gender incorporated into the accreditation process
- Performance standards on Gender Equity & Sensitivity (i.e. 25% of the Board will be women, 40% staff will be women, etc.)
- Gender indicators integrated into the Common Impact Monitoring System (CIMS)
- Technical assistance to partners in developing and implementing gender policies
- Monitoring gender indicators in quarterly report system through gender worksheet and training on gender analysis

A report on gender in the Network based on current information will be completed by the end of December to be submitted to the Network Management team in January.

As this strategy will be implemented during or after the mid-term assessment, OI looks forward to reviewing the strategy during the final evaluation of the Matching Grant.

## **SECTION IV – REVIEW AND ANALYSIS OF PROJECT RESULTS BY COUNTRY**

### **Instituto para el Desarrollo Hondureño (IDH)**

#### *Outputs and Effects*

At the end of Year Three of the Matching Grant, IDH had 6,169 clients outstanding, 86% of whom were women. The size of their portfolio was US\$687,019 with a loan loss rate of 0.79%. Their operational sustainability was 104%.

During the present year, IDH has expanded its regional offices in order to reach people not yet serviced by other microfinance institutions; and to contribute to Honduran society by providing employment in rural areas and reducing migration to the cities. IDH opened a new office in La Ceiba, Atlantida (the Atlantic north coast), and expanded its regional office in Juticalpa, Olancho.

Up until last year IDH carried out more than 75% of its activities in the Capital City, Tegucigalpa. In August 2001, IDH conducted a study to find out where the majority of its clients were located. According to the survey, only 24% of clients in the Individual Loan Program and 35% of those in Trust Bank Programs were located in the Capital City. Sixty two percent of Individual Loan clients and 38% of Trust Bank clients lived in urban areas with populations between 5,000 and 500,000. While, 15% of Individual Loan clients and 28% of Trust Bank clients lived in rural areas with populations less than 5,000 clients.

This trend towards rural areas is becoming more important for IDH, and they will continue exploring expanding of their rural programs, particularly in Juticalpa, Olancho.

### *Problems and Solutions*

Despite the dynamic growth of IDH, with growth rates exceeding percentages in the proposal, they were not able to reach the number of clients outstanding that was projected for Year Three of the grant. This was due to the following factors:

1. Originally OI's Partner in Guatemala, FAPE, was the agency chosen for the Matching Grant. However, in 1999, one year into the grant, it was decided that FAPE would not be able to meet the goals stated in the program, and IDH was chosen to take FAPE's position in the grant. IDH's business plan initially was developed based on objectives that would start in Grant Year 2 as OI was already through the first half of Year One; however, IDH was required to enter the contract as of September 1998, and the objectives were not revised accordingly. This meant that IDH had to achieve two year's worth of objectives in one year.
2. When the business plan for IDH was written, the current management had only just been appointed. When the new management first examined the portfolio, it appeared to be of good quality. As IDH began retraining the staff, they discovered that the staff had been handling arrears by rescheduling terms of payment for the loan. Consequently, IDH clientele did not have a payment culture but depended on constant rescheduling. Aware of the dangers of such procedures, IDH decided to stop giving loans to new clients; replace the staff of the individual loan program where the problem of rescheduling had become endemic; re-write new policies and procedures for credit analysis and loan recovery; and retrain the

new personnel. During this period the client base was drastically reduced from 3,226 clients in December 1998 (the number upon which projections had been made) to 2,000 clients in September 1999. Although the decision to temporarily suspend the individual loan program was necessary for long-term success, it set IDH back in achieving the benchmark objectives of the grant.

Despite these early setbacks, IDH is still optimistic it will be able to reach most of the final objectives. To reach final objectives, IDH adopted the following strategy:

1. In the first two years of the Grant, IDH focused on training the required infrastructure (staff in the credit department) to assure long-term success of the program. This was done knowing that it would affect sustainability.
2. Through a three stage training for Trust Bank and Individual Loan officers, IDH has been carefully selecting the best loan officers and releasing staff not interested in working in a high-quality, goal-oriented, environment that is guided by an Institutional Vision and Mission.
3. In order to achieve the projected goal of number of clients, IDH has focused on growing its Trust Bank program. This will seriously affect the capacity of IDH to reach the goal of amount of loans outstanding due to the smaller average loan size of Trust Bank loans.
4. As the Trust Bank program starts to mature its portfolio and as the loan officers start consolidating their Trust Banks, IDH will direct its efforts towards growing the Individual Loan program in order to increase the average loan size of the organization and consequently the size of the portfolio.

This strategy should allow IDH to not only increase substantially its portfolio, but also increase its sustainability.

*Comparison of Actuals with Projected*

Indicators for Year 3, as of September 30, 2001 In USD

<b>INDICATOR</b>	<b>Projected</b>	<b>Actual</b>
<b>Clients</b>		
# of loan clients outstanding	9,045	6,169
% female, average during the past 12 months	85%	86%
# Indirect Beneficiaries **	45,675	30,845
# of jobs impacted	15,986	16,769
<b>Lending</b>		
# of loans made	22,425	15,783
Average Loan Size	363	187
Portfolio size	2,587,944	687,019
Loan loss	3.50%	0.79%

Client to Loan Officer Ratio	203	158
Financial Viability	91%	80.4%
Operational Viability	131%	104%
<b>Institution</b>		
# of loan officers (FTE)	45	45

\*\*Indirect beneficiaries: average family size consists of five members.

### *Reasons for Variances*

Please see *Problems and Solutions above*.

### *Loan Officer Hiring and Training*

During 2001, IDH opened a new office in La Ceiba, Atlantida (Atlantic north coast) and expanded its regional office in Juticalpa, Olancho. For this purpose a training course for Trust Bank Loan Officers was conducted in the month of April. Fifteen loan officers were trained: six for La Ceiba, five for Juticalpa, Olancho and three to replace loan officers that had left their positions.

Seven new loan officers for the Individual Loan Program were hired to fill positions in the different Regional Offices. Hiring was not done in three different stages as is usual. Rather three were hired at the beginning of Quarter Two of the year, one at the end of Quarter Two, and the last three at the beginning of Quarter Four. Considering the small number of loan officers, the training was not carried out directly by IDH. Instead they were registered in "Credit Analysis and Portfolio Management" courses offered by other NGO's.

### *MIS*

Opportunity International has invested in a commercial banking software called eMerge. The software is being installed in Ghana, Zambia, Malawi and Albania; however, problems have arisen in the process of installation in these countries, which has given grounds to the postponement of installations in other countries such as Honduras. IDH currently uses the SACC system.

IDH did experience some problems with their system this year. For the first six months of the year, IDH was unable to process properly the data stored in SACC, and the system was creating unreadable reports.

Upon investigation by the SACC consultant it was discovered that the original installation of IDH's computer network had been done incorrectly and had exposed the network cables to high heat causing damage. This damage was what was causing the SACC system to malfunction.

The physical infrastructure of the network was reinstalled, replacing the NT cards and the damaged cables. To further reduce the effect of heat on the system, the server and main computers were placed in an air-conditioned room. To maintain the integrity of the system, the consultant wrote a small security program to be run daily which eliminates any errors or mistakes created by interference in the communication system.

IDH's staff received training from the consultant on the care and management of the system, including training on the daily procedures to rid the system of mistakes and errors due to electrical interferences.

Although this was an unfortunate experience, IDH now has a very effective system which has reduced its interest in the installation of a new system. If SACC could be updated to allow the synchronization of incoming data to the system, it would fill IDH's requirements to date.

### *Board and Senior Staff Training*

Last year, OI's Latin America Regional Office undertook a training program for board members called the Group of 12. Two people from the boards of each OI Latin America Partner are trained on themes related to governance, and then sent back to their respective boards to train the rest of the members. This year the Group of 12 attended two workshops. The first workshop took place in Costa Rica in April and dealt with functions and responsibilities of the board. The second workshop took place in the Dominican Republic in November and dealt with group management and adult education topics.

IDH's Board President and a member of staff participated in a workshop conducted by Solidarios and City Bank in Caracas, Venezuela, July 18<sup>th</sup> – 20<sup>th</sup>. The workshop was entitled "Financial Development and Sustainability of NGO's dedicated to Micro-Credit". Also, three members of the board participated in the IV Inter American Forum for the Microenterprise, which took place in the Dominican Republic in November 2001.

Additionally, three employees have been enrolled in a Diploma Program on Microfinance. Five modules were proposed but so far only two have been given:

1. The microfinance industry
2. Looking after the client

### *Anticipated Problems in Reaching Targets for Next Year*

IDH has set a strategy to reach the final grant objectives which accomplishes capacity building in the first years of the grant in order to prepare for and absorb larger growth in the final years of the grant. (Please see above section of *Problems and Solutions*.) Due to the structure of this strategy, IDH may not achieve the benchmark goals set for the interim years of the grant, but plans to achieve final year objectives. IDH does anticipate problems in achieving the final amount of portfolio outstanding due to its focus on

growing its Trust Bank program, which carries a smaller loan size, and thus reduces the portfolio.

### *Relationship Between OI and IDH*

The working arrangement between OI and IDH is based on the following components:

1. Membership in the Opportunity Network
2. Technical assistance and Network communication
3. Financial resources
4. Quarterly comparative reporting
5. Memorandum of Understanding

The Institute for Honduran Development (IDH) began operations in 1977, and is one of Opportunity's oldest Partners. IDH became a member of the Network association in 1998, and is headquartered in Tegucigalpa with branch offices located in Juticalpa, Danli, and Siguatepeque. IDH's vision is to assist the economic, social and spiritual transformation of its clients, their families and communities.

IDH functions with an assembly as its maximum authority. The IDH Board of Directors is elected from the assembly. The Board appoints the Executive Director and establishes the policies of the organization, which are then implemented by the Executive Director.

In October 1998, IDH experienced a serious setback as a result of Hurricane Mitch shrinking from over 3,200 clients to 2,000 clients in an approximate time period of six months. Since May of 1999, IDH has trippled its number of active clients to over 6,000. Recently, with the assistance of OI, IDH developed a client curriculum for weekly Trust Bank meetings. This curriculum has been transferred to other Latin America Partners, and will be translated and made available to the entire Network.

As a member of the Opportunity Network, IDH pays annual dues and is committed to achieving the Network vision and mission. In turn IDH receives the following: access to high quality technical assistance; access to Network communications including a Network website that contains a database of documents and personnel from all Partners, and a weekly newsletter; access to best practice information and shared knowledge from over 40 Partners; and potential funding through connections with Support Partners and other donor/investor entities. OI provides IDH with technical and financial resources through grant and loan funding, and the Network Services Divisions.

As a member of the OI Network, IDH is required to undergo an accreditation process through self and peer assessment. IDH underwent the accreditation process in August of this year.

IDH provides accounting and program data on a quarterly basis to the Network Information Services Manager. This data is used to generate quarterly data reports, trend analysis reports and comparative performance reports, which are distributed to all

Network Partners. Opportunity International uses these reports to assist in monitoring Matching Grant objectives.

The guiding document for the working arrangement with IDH for the Matching Grant is a Partner-specific Memorandum of Understanding, which is customized to fit the objectives and requirements of the Matching Grant. The document defines clearly USAID funding, match obligations, objectives of the grant, reporting requirements, USAID requirements, and other issues related to the grant.

### **Zambuko Trust (Zambuko)**

#### *Outputs and Affects*

As of September 30, 2001, Zambuko Trust had 8,720 clients, 70% of whom were women. The average loan size for Grant Year Three was US\$209. Zambuko had a portfolio of US\$1,075,948 and an operational sustainability of 85%. Zambuko's loans impacted over 18,000 jobs, and indirectly benefited 43,000 individuals.

#### *Problems and Solutions*

Zambuko continues to face poor economic conditions in Zimbabwe. Over the course of the last three years, Zimbabwe has faced continued economic and political instability. Inflation rose to an average of 58% peaking at 70% in November 2000. In addition, the Zimbabwe Dollar lost value against all major currencies. In July 2000, the Zim\$ was trading at 38 to the US Dollar. As of 30 September, 2000, it had fallen to 55:1. Unemployment is reaching 65%, and there is little consumer purchasing power.

Zambuko is also continuing to experience a shortage of funding into the organization. In order to address this problem, Zambuko implemented a private placement vehicle by which they can accept equity investments. However, obtaining the needed investment has taken longer than expected, and Zambuko is having to defer future growth until additional funding is located.

Opportunity and Zambuko are responding to the above problems in the following ways:

- Zambuko Trust, through inputs provided by Opportunity International, will build capacity to absorb new growth through the installation of the eMerge Advanced MIS, the utilization of palm pilot technology, and the streamlining of financial products.
- Opportunity International provided Zambuko with a convertible bridge loan of \$250,000. With this guarantee in place, Zambuko expects to borrow about Zim\$40 million at an interest rate of 24%, which is below the current interbank rate.
- HIVOS has approved a three-year grant of \$100,000 per year. The first payment will be in July 2002.

- Zambuko is negotiating a Zim\$50 million loan from the Social Development Fund. This is a government fund which has previously lent to Zambuko. They expect a five-year term at an interest rate of about 18% with no collateral required.

### *Impact on Community*

During the past grant year, Zambuko made a total of 9,114 loans, over 7,000 of which were made to women, valued at Zim\$104 million. These loans impacted almost 19,000 jobs, which is especially significant in an economy where there is 65% unemployment. Zambuko Trust remains committed to assisting its clients through Zimbabwe's current economic crisis.

In addition, Zambuko Trust is seen as a leader in microfinance in Zimbabwe, and many institutions look up to Zambuko to spearhead the development of the industry. Zambuko is actively involved through the local microfinance network body, the Zimbabwe Association of Microfinance Institutions (ZAMFI), in lobbying initiatives to influence policy changes in favor of the industry. Zambuko has also produced many "children" throughout Zimbabwe as most upcoming MFIs in Zimbabwe, including commercial banks, have at least one former Zambuko employee.

### *Comparisons of Actuals with Projected*

Indicators for Year 3, as of September 30, 2001

INDICATOR	Original Projected	Revised Projected	Actual
<i>Exchange to US\$</i>	<i>17.2:1</i>	<i>55:1</i>	<i>55:1</i>
<b>Clients</b>			
# of loan clients outstanding	30,875	17,266	8,720
% female	75%	75%	77%
# Indirect Beneficiaries **	154,375	86,330	43,600
# of jobs impacted	59,400	39,348	18,956
<b>Lending</b>			
# of loans made	37,835	26,232	9,114
Average Loan Size USD	132	164	209
Average Loan Size Zim\$	-	9,046	11,515
Portfolio size USD	2,538,847	1,872,556	1,075,948
Portfolio size Zim \$	-	102,990,600	59,177,154
Loan loss	2.9%	2.9%	2.9%
Client to Loan Officer Ratio	231	252	109
Financial Viability	99%	75%	60%
Operational Viability	105%	105%	85%
<b>Institution</b>			
# of loan officers (FTE)	87	70	61

### *Variances*

### Number of Clients

Zambuko Trust required approximately an additional Zim\$ 50 million this year in order to obtain projected growth. In order to obtain this and future funding, Zambuko has developed a private placement vehicle and contracted with the Merchant Bank of Central Africa to serve as the Financial Advisor to manage the placement. Accessing funding through this mechanism has taken longer than expected, and Zambuko was not able to raise the funds necessary to expand their portfolio and thus increase their number of clients.

The lack of additional funds has also required Zambuko to stop accepting new client loan applications. Zambuko is focused on serving existing clients, who require larger loan amounts resulting in fewer borrowers.

### Average Loan Size

The average loan size was larger than projected because Zambuko was lending to repeat clients and thus granting bigger loans to a smaller number of borrowers. In addition, in order to keep up with inflation, Zambuko had to increase its initial loan size from Zim\$5,000 to Zim\$10,000.

### Operational Viability

Operational viability decreased as the average number of clients to loan officers decreased due to a decreasing number of borrowers in the program.

### Number of Loan Officers

The number of loan officers was less than projected due to lack of funding which did not allow for projected expansion eliminating the need to hire new loan officers. In fact, Zambuko had to cut staff in order to reduce operations costs in light of lower income.

### New Branches/Additional Regional Manager

Currently, Zambuko has branches in the following locations: Harare, Chitungwiza, Kuwadzana, Mbare, Highfields, Marondera, Bulawayo City, Gwanda, Nkulumane, Mpopoma, Pumula, Masvingo City, Zvishavane, Gutu, Gweru City, Kwekwe, Kadoma, Mkoba, Mutare, Dangamvura, Rusape, Chipinge, Chinhoyi, and Bindura.

Zambuko planned to open branches in Nyanga, Karoi, Hwange and Mvurwi during 2001, but was unable to do so because of funding shortfalls. Zambuko is planning to open the new branches in 2002 when Zambuko hopes the funding situation will improve. As no additional branches were opened, Zambuko did not hire a Regional Manager.

### *Way Forward*

Zambuko Trust, through inputs provided by Opportunity International, will continue to build capacity to absorb new growth through the installation of the eMerge Advanced MIS, the streamlining of financial products, and on-going staff and management training.

#### Installation of eMerge Advanced

The MIS division of the Opportunity Network has suspended further implementations of the eMerge Advanced system until they are able to work out complications experienced by partners who have already installed the software. Zambuko will be one of the first Partners to receive the system when the MIS team reinitiates the implementation process. Meanwhile, Zambuko's MIS project manager and Opportunity MIS personnel have completed much of the pre-installation work necessary for implementation of the system. Pre-installation included visits to the branch offices, an inspection of current hardware and the suitability of office locations and setup. They also requested quotes from local vendors for hardware and other related equipment.

#### Training

Zambuko Trust participated in several training workshops as well as exposure visits to CETZAM, OI's Partner in Zambia, as part of Zambuko's staff development program. These include the following:

- Exposure visit to CETZAM in Kitwe, Zambia, by four Trust Bank Loan Officers, three Regional Managers, the Human Resource Manager, the Training Manager and the Operations Manager.
- Strategic Planning workshop in Lagos, Nigeria, organized and funded by the International Network for Alternative Financial Institutions (INAFI), which was attended by the Finance and Operations Manager.
- Impact assessment workshop in Nairobi, Kenya, organized and funded by INAFI, which was attended by the Operations Manager.
- Strategic Planning process for Board, Management and Staff in Harare, guided by Opportunity Network staff.
- On the job training with an attaché from CETZAM.
- In house training workshops for Loan Officers, Debtors, Debtors' Clerks and other staff members.

#### Private Placement

In order to address funding shortfalls, Zambuko Trust has implemented a private placement vehicle through which they will be able to access equity investments and soft loans from a variety of local and international sources. Although funding from private placement is taking longer than expected to come into the organization, Zambuko is hopeful that a majority of its funding needs will be met through this mechanism. To assist Zambuko reach their private placement goals, Opportunity International has provided a convertible bridge loan of US\$250,000. Through this guarantee, Zambuko

plans to borrow Zim\$40 million at an interest rate of 24%, helping to grow the program and reach program objectives.

#### *Relationship Between OI and Zambuko Trust*

The working arrangement between OI and Zambuko Trust is based on the following components:

6. Membership in the Opportunity Network
7. Technical assistance and Network communication
8. Financial resources
9. Quarterly comparative reporting
10. Memorandum of Understanding

Zambuko Trust has been an Opportunity International (OI) Partner since its incorporation in 1992, and a Network member since 1997. Zambuko actually consists of two legal entities with two Boards of Directors, which operate as one in practice. They are: The Gesher Trust, a non-profit organization that receives donor funds and is registered with the Ministry of Labor and Social Welfare and Zambuko Trust, a private "limited" company that has a money lenders' license and is registered with the Ministry of Finance. A Board of Trustees holds the fiduciary and policy responsibilities for Zambuko. In the first six years of operation, Zambuko experienced significant growth reaching over 14,000 active clients in 1998. Unfortunately, as Zimbabwe's economy has experienced serious decline over the last three years, Zimbabwe has had to scale back its program.

As a member of the Opportunity Network, Zambuko Trust pays annual dues and is committed to achieving the Network vision and mission. In turn Zambuko receives the following: access to high quality technical assistance; access to Network communications including a Network website that contains a database of documents and personnel from around the Network and a weekly newsletter; access to best practice information and shared knowledge from over 40 Partners; and potential funding through connections with Support Partners and other donor/investor entities.

As a member of the OI Network, Zambuko is required to undergo an accreditation process through self and peer assessment. Zambuko has received provisional accreditation, and the Africa Regional Director is continuing to work with Zambuko to bring it full accreditation status.

Zambuko provides accounting and program data on a quarterly basis to the Network Information Services Manager. This data is used to generate quarterly data reports, trend analysis reports and comparative performance reports, which are distributed to all Network Partners. Opportunity International uses these reports to assist in monitoring Matching Grant objectives.

The guiding document for the working arrangement with Zambuko for the Matching Grant is a Partner-specific Memorandum of Understanding, which is customized to fit the

objectives and requirements of the Matching Grant. The document defines clearly USAID funding, match obligations, objectives of the grant, reporting requirements, USAID requirements, and other issues related to the grant.

## **SECTION V – MANAGEMENT: REVIEW AND ANALYSIS OF HEADQUARTERS/SUPPORT FUNCTIONS**

### **Comparisons of Actuals with Proposed**

Over the last few years, OI has developed a new growth strategy that incorporates a more commercial approach to assist current partners overcome the growth and service limitations they have as NGOs; and to develop new, high-growth partners in countries not yet served by OI.

This year OI realized several outcomes of this new strategy.

- A new Network structure was finalized
- Continued accreditation of Partners
- Development of several new manuals and toolkits
- Installation of a new portfolio management system for Implementing Partners
- OI's investment vehicle experienced significant growth and activity
- OI has begun the process of the conversion of several of its NGO partners to formal financial institutions
- OI has provided on-going technical assistance to partners to help them achieve their objectives.

#### *New Network Structure*

In Quarter One of the grant year, OI finalized the new Network structure. The new structure absorbed the MIS, Trust Bank, Growth Loan, and Network Information & Reporting Centers into the following divisions:

1. **Network Management Division** consists of the Network CEO, COO, CFO, Human Resources VP, Director of Network Services, and Accreditation Director, who are responsible for coordinating Network services and technical assistance to Partners and implementing the vision, mission and strategy given by the Network Board.
2. **Technical Services Division (TSD)** provides world class consulting to Opportunity Partners on specific microfinance, banking and management development issues. Services are provided by full time staff members as well as by consultants engaged for specific projects.
3. **Policy and Research Division** (added July 2001) focuses on promoting Opportunity's vision of holistic transformation and is responsible for researching, documenting and disseminating MED best practices to OI Partners. The division is specifically focused on cutting-edge research of emerging issues such as HIV/AIDS, Business Development Services, Client Impact, and Gender Sensitivity and Equity.

4. **MIS Division** is involved in helping Partners implement the global MIS package, Temenos eMerge Advanced, and provide consulting on MIS hardware and software matters.
5. **Investment Services Division** is designed to support the business and financial needs of Partners structured as Formal Financial Institutions.

The Network has maintained a regional capacity in order to coordinate network wide activities such as accreditation and strategic planning. In addition OI is continuing the application process to register as a Verein, which will make the Network a legal association of partners.

#### *Accreditation*

To date, full accreditation has been awarded to OI's Partners in Macedonia, Poland, Romania and the United States. Provisional accreditation has been awarded to TLM in West Timor and Zambuko Trust.

Plans are in place to complete IDH(which underwent self and peer assessment), Nicaragua, Colombia, Dominican Republic, Ghana, Uganda, Albania, Bulgaria, Croatia and Montenegro by the end of December 2001. OI's partner in Russia will undergo accreditation in the beginning of 2002.

#### *New Manuals and Toolkits*

Over the course of the year, OI produced the following resources:

1. Final version of the Trust Bank Toolkit (Quarter Four).
2. HR manual for Eastern Europe(Quarter Three).
3. Trust Bank manual revision, Small Group manual, Branch Manager manual (in process), and Trust Bank Client Orientation guide for OI's Partner in Zambia (Quarter Four).
4. Client Impact Monitoring System (in pilot phase with draft manual by June 2002 and final manual by December 2002).
5. Training curriculum for weekly Trust Bank meetings. (This product was developed by Loan Officers at IDH with assistance from OI Network staff).
6. Loan Officer Supervisor Toolkit (currently in design phase and scheduled for publishing during Quarter Two of Grant Year Four).

In light of grant objectives, Opportunity is still scheduled to produce the following:

1. Trust Bank Operations Guide – OI plans to negotiate with its Partner in Zambia to use the product manuals and client orientation guide recently produced by Network staff as the basis for developing the proposed operations guide.
2. Trust Bank Manual published in Russian and Indonesian – A variance of The Trust Bank manual, which was adapted to the local cultural context, was translated into Russian and Indonesian. OI does not foresee translating the

original Trust Bank Manual into Russian and Indonesian as the altered versions are better suited for each country's context.

3. ED and Middle Management Training Curriculum and Toolkit – The Loan Officer Supervisor Toolkit is a Middle Management Toolkit. The ED Toolkit will be developed as part of a new Network initiative referred to as the “Bank in a Box.”
4. Growth Loan Manual and Toolkit – An individual Loan Manual will be developed over the next two years and is also a part of the “Bank in a Box” initiative.
5. Guide for Choosing Accounting and Loan Portfolio Management Software – In lieu of producing this guide, the OI Network purchased instead the global Temenos eMerge Advanced portfolio and accounting management system (See description below).

### *MIS*

In 2001, OI's MIS Division installed eMerge at OI's Partners in Ghana, Zambia, Malawi, the Philippines and Albania. In 2002, OI plans to initially install the system at OI's Partners in Serbia and Montenegro with the decision for further installations coming later in the year.

In regards to grant objectives, OI has yet to fully incorporate qualitative and transformation indicators into the MIS. OI is currently piloting a set of indicators at 8 Partners and initially expects to integrate the indicators into the MIS of four Partners in June 2002, adding additional partners towards the end of 2002.

### *Opportunity Transformation Investments, Inc.*

OTI, which is a tax exempt not for profit corporation, is the primary investment vehicle used by Opportunity International. OTI seeks grants and debt from the public, foundations, corporations, government and multilateral sources. These resources are invested in Opportunity Implementing Partners in a number of ways: direct equity investment, direct debt investment, deposits at local banks to guarantee local borrowings, letters of credit, and other domestic guarantees, etc.

The objective of OTI is to establish a \$ 20 to \$25 million fund by the end of 2003. OTI's current balance is US\$2.2 million and has provided equity investments, loans and loan guarantees to a total of six OI Partners.

### *Commercialization of Partners*

OI has begun the process of the conversion of several of its NGO partners to formal financial institutions:

- OI established the first “microfinance-oriented thrift bank” in the Philippines in August of this year.

- OI's partner in Macedonia has been operating as a commercial financial institution for one year.
- Opportunity Bank Montenegro is scheduled to begin operations in Quarter 1, 2002.
- OI will open a bank in Malawi beginning Quarter 2, 2002.
- OI's lead partner in India has purchased a non-banking finance company OI expansion throughout India.
- OI is currently preparing business plans and feasibility studies for bank conversions in Ghana and Zambia and registration of non-bank finance companies in Albania and Romania.
- OI has laid the foundation for a formal financial institution start-up in Mexico.

As mentioned above, over the next five years OI plans to establish 10-15 formal financial institutions, enabling OI to reach greater numbers of people with a larger variety of financial services.

#### *Technical Assistance*

Opportunity International remains committed to providing Partners with world class, demand driven, technical assistance in order to help them achieve their short and long-term objectives. OI coordinates most of its technical assistance to Partners through the Technical Services Division; however, the MIS Division, the Policy and Research Division, and the Investment Services Division also provide technical assistance in their respective areas to Partners.

#### Technical Services Division

During Grant Year Three, The Technical Services Division has provided key technical assistance to several OI Partners including the following:

- Worked with Partner to develop a client training program for Trust Banks
- Loan Officer Training
- Assisted in the accreditation process of approximately 10 Partners
- Guided 12 Partners through the Strategic Planning Process
- Conducted Needs Assessments for four Partners
- Development of Operations Manuals and product adjustment for Zambia Partner
- Trust Bank assistance in Latin America
- Organizational Development assistance to Partner in Colombia

#### MIS Division

Please see *MIS* section above.

#### Policy and Research Division

The Policy and Research Division was created in July 2001 to focus on promoting Opportunity's vision of holistic transformation and will study, document and disseminate MED best practices throughout the OI Network. It will focus on cutting-edge research of emerging issues such as HIV/AIDS, client impact, gender sensitivity and equity and Business Development Services that reflect an integrated approach to microfinance.

In 2001, the Policy and Research Division provided the following training:

- Trained 150 delegates from Asia, including representatives from OI Partners in India and the Philippines, in a one-day workshop on impact assessment tools as part of the Asia Regional Meeting of the Microcredit Summit.
- Trained 40 members of the International Association of Alternative Financial Institutions (INAFI), including representatives from Opportunity's Partner in Zimbabwe, in a 4 day workshop on impact monitoring systems and market research tools.
- Trained 30 participants including representatives from OI Partners in the Philippines, India and Australia, on impact assessment tools in a week-long workshop sponsored by the Alliance for Philippine Partners in Enterprise Development (APPEND).
- Trained 20 members of the Eastern European Center for microfinance, including OI Partners in Poland and Russia, in a 3-day course on cutting-edge impact assessment practices and systems.
- Trained 10 members of OI Partner staff in Ghana in a two-week workshop on quantitative and qualitative impact assessment and market research tools.

#### Investment Services Division

The Investment Services Division (ISD) primary function is to assist current partners through financing and governance mechanisms to convert from NGOs into FFIs or initiate start-ups of new FFIs. This year the Investment Services Division helped facilitate the opening of the Opportunity Microfinance Bank in the Philippines, the first thrift bank in the Philippines dedicated to microfinance. In addition, the Division has provided in depth market research for start-up programs in Brazil and Mexico.

Over the course of the next three years, ISD plans to facilitate the conversion of nine additional Partners into Formal Financial Institutions.

#### Technical Assistance to IDH and Zambuko Trust

OI provided the following technical assistance to IDH and Zambuko Trust in Grant Year Three:

- IDH – Development of client training curriculum (Quarters 1, 2, 3); Training of Loan Officers in adult education/facilitation techniques (Quarter 1); Loan Officer retreat (Quarter 1); Peer review of Accreditation Process (Quarter 4); Strategic Planning (Quarter 2); Board retreat (Quarter 2).

- Zambuko Trust – Strategic Planning/Management (Quarter 2); Workshop on impact monitoring systems and market research tools (Quarter 4); EMerge Advanced pre-installation work (Quarter 4); Trust Bank assistance (Quarter 2); Curriculum Manual for weekly meetings (Quarter 3).

In order to ensure that all technical assistance included in the Matching Grant Budget is accomplished in Grant Year Four, the Grants Manager, the VP of the Technical Services Division, and the Regional Directors will have either a face-to-face meeting or conference call in January 2002 to coordinate the respective technical assistance to be provided to Zambuko Trust and IDH.

#### *Information and Product Dissemination*

At the end of December 2000, OI activated a new Network website for OI Partners – [www.opportunity.net](http://www.opportunity.net). Through this website, OI Partners have access to over 280 documents including Partner Strategic Plans, Research Documents, Sample Proposals, Client Stories, Budgets, Quarterly Reports and Training Documents.

In 2001, OI held regional conferences in Asia, Africa and Eastern Europe. At these conferences, OI partners shared best practices and techniques, as well as worked together to solve both shared and unique problems. Some topics covered were Governance, Transformation and Impact Assessment, Gender, and Women in Leadership.

OI also has had several opportunities to share lessons learned to the microfinance industry at large. OI Staff presented at the Asia Pacific Region and Africa Region Microcredit Summits; the CMED Conference in Thailand; and the SEEP Network Annual General Meeting and Workshops; and provided training to the International Association of Alternative Financial Institutions (INAFI) and the Eastern European Center for Microfinance. Some of the topics covered by OI were Client Impact Assessment, Improving Effectiveness in Technical Assistance; Holistic Transformation; Savings Services; and Governance.

#### *Midterm Evaluation*

The mid term evaluation will be undertaken in Quarter Two of Grant Year Four. The final evaluation will occur in Quarter Four of Grant Year Five.

#### *Anticipated Problems in Meeting Final Project Objectives*

OI does not anticipate any problems in meeting final project objectives.

### **SECTION VI – FINANCIAL REPORT**

## **Financial Narrative to the Matching Grant Annual Report**

The first three years of the grant, budgeted USAID expenses totaled \$1,200,000. Grant to date actual expenses as of September 30<sup>th</sup>, 2001 equaled \$1,186,508, resulting to a variance of \$13,492 below budget.

As shown in the attached worksheet, year three expenses were significantly below budget for Grants Management, Growth Loans Center, Training and Research Center and Zimbabwe. These were mostly due to:

- A change in Opportunity International-US organizational structure. Prior to year three, Opportunity International Grants Management function was performed by four individuals with a regional focus: Latin America, Eastern Europe, Asia and Africa. At the beginning of year three, Opportunity International changed its structure from a regional focus to a functional focus. This resulted in the creation of a Grants Manager position whose primary role was to provide management oversight on funds for all grants. A Grants Manager was not hired until March 2001, resulting to a funding of seven months out of twelve for the grant year.
- In year three, the Growth Loans Center and the Training and Research Center were delayed by the fact that the newly formed Opportunity International Network Technical Services Division continued to develop its services to meet the changing and challenging needs of its partners worldwide. A significant amount of time was spent to diagnose partners current needs and resulted in the hiring of a team of skilled technicians to focus on Organizational and Human Resources Development, Banking and Lending Operations, Market Research and Competitor Analysis, Financial Product Development and Marketing, as well as Management Information Systems. With the new position in place, no further delay is anticipated.
- The variance for Zimbabwe in year three was below budget because a number of expenses related to this year were incurred in advance in year 2.

Total actual match for the first three years of the grant exceeded budget by \$543,943. Matching funds were provided by contributions from individuals, private foundations, corporations and churches raised as part of Opportunity International's annual fundraising campaign.

Opportunity International does not anticipate any problems meeting match requirement for the life of the project.

See attached financial report for estimated expenses for the rest of the grant period.

**Opportunity International  
Matching Grant  
FY 98 Application**

As of 09/30/00

	Year 1 10/98 - 09/99				Year 2 10/99 - 09/00				Year 3 10/00 - 09/01				Year 4 10/01-09/02				Year 5 10/02-09/03				LOP Estimated Total		
	Budget AID	Actual AID	Budget OI	Actual OI	Budget AID	Actual AID	Budget OI	Actual OI	Budget AID	Actual AID	Budget OI	Actual OI	Budget AID	Actual AID	Budget OI	Actual OI	Budget AID	Actual AID	Budget OI	Actual OI	AID	OI	Total
<b>Headquarters Direct Costs</b>																							
Grants Management	40,738	51,063	28,068	42,049	40,738	18,743	28,068	-	40,738	28,108	28,068	-	40,738	-	28,068	-	40,738	-	28,068	-	203,690	140,342	344,032
Evaluation	6,300	-	-	-	6,300	-	-	-	6,300	16,500	-	-	6,300	-	-	-	6,300	-	-	-	31,500	-	31,500
<b>Total HQ</b>	<b>47,038</b>	<b>51,063</b>	<b>28,068</b>	<b>42,049</b>	<b>47,038</b>	<b>18,743</b>	<b>28,068</b>	<b>-</b>	<b>47,038</b>	<b>44,608</b>	<b>28,068</b>	<b>-</b>	<b>47,038</b>	<b>-</b>	<b>28,068</b>	<b>-</b>	<b>47,038</b>	<b>-</b>	<b>28,068</b>	<b>-</b>	<b>235,190</b>	<b>140,342</b>	<b>375,532</b>
<b>Network Service Centers</b>																							
Trust Bank Center	54,111	79,204	86,504	65,606	54,111	57,835	86,504	25,775	54,111	54,111	86,504	44,650	54,111	-	86,504	-	54,111	-	86,504	-	270,555	309,040	579,595
Growth Loans Center	3,632	182	987	-	3,632	-	987	-	3,632	-	987	-	3,632	-	987	-	3,632	-	987	-	18,160	4,974	23,134
MIS Center	27,621	26,120	69,369	36,240	27,621	24,255	69,369	266,779	27,621	24,829	69,369	26,092	27,621	-	69,369	-	27,621	-	69,369	-	138,106	467,849	605,955
Reporting and Analysis Center	12,754	21,390	19,261	56,145	12,754	12,754	19,261	19,261	12,754	12,564	19,261	3,530	12,754	-	19,261	-	12,754	-	19,261	-	63,768	117,459	181,227
Training & Research Center	27,824	49,076	33,313	42,472	27,824	10,036	33,313	2,911	27,824	16,700	33,313	-	27,824	-	33,313	-	27,824	-	33,313	-	139,118	112,009	251,127
<b>Total Network Serv. Ctr.</b>	<b>125,941</b>	<b>175,972</b>	<b>209,434</b>	<b>200,465</b>	<b>125,941</b>	<b>104,882</b>	<b>209,434</b>	<b>314,726</b>	<b>125,941</b>	<b>108,204</b>	<b>209,434</b>	<b>74,272</b>	<b>125,941</b>	<b>-</b>	<b>209,434</b>	<b>-</b>	<b>125,941</b>	<b>-</b>	<b>209,434</b>	<b>-</b>	<b>629,707</b>	<b>1,011,331</b>	<b>1,641,038</b>
Zimbabwe	68,173	68,173	86,877	34,443	68,173	92,583	86,877	125,879	68,173	55,486	86,877	287,290	68,173	-	86,877	-	68,173	-	86,877	-	340,865	632,466	973,332
Honduras	76,308	51,666	78,705	51,155	76,308	73,846	78,705	500,287	76,308	36,442	78,705	111,526	76,308	-	78,705	-	76,308	-	78,705	-	381,540	820,380	1,201,920
Indirect Costs	82,540	90,136	-	-	82,540	76,414	-	-	82,540	79,233	-	-	82,540	-	-	-	82,540	-	-	-	412,697	-	412,697
<b>Total MG Program</b>	<b>400,000</b>	<b>437,064</b>	<b>403,084</b>	<b>328,113</b>	<b>400,000</b>	<b>365,470</b>	<b>403,084</b>	<b>941,992</b>	<b>400,000</b>	<b>383,974</b>	<b>403,084</b>	<b>483,090</b>	<b>400,000</b>	<b>-</b>	<b>403,084</b>	<b>-</b>	<b>400,000</b>	<b>-</b>	<b>403,084</b>	<b>-</b>	<b>2,000,000</b>	<b>2,604,520</b>	<b>4,604,519</b>

## **SECTION VII – LESSONS LEARNED AND LONG-TERM PROJECT IMPLICATIONS**

### **Estimates of Project Costs and Benefits**

The estimated total project cost is \$4,331,285 over five years. By the end of year five, IDH and Zambuko Trust will be serving over 35,000 clients, of whom 75-85% will be women, impacting well over 72,000 jobs, and affecting the lives of nearly 180,000 people.<sup>7</sup>

In addition OI will have developed nearly eight new toolkits and manuals, and an institutional framework. All of which are used to help microfinance organizations professionalize and develop systems and policies to achieve greater outreach, sustainability and transformational impact in the lives of the poor.

### **Institutional Building Assessment**

In order to support the exponential growth of its Partners, the Opportunity Network, in Quarter One of the Grant Year, restructured into the following four service areas: the Investment Services Division, the Technical Services Division, the MIS Division and the Policy and Research Division. Through this restructuring, the Network will provide its Partners with high quality technical assistance and support services in order to assist them achieve their short and long-term objectives. The Network has also maintained a regional capacity in order to coordinate network wide activities such as accreditation and strategic planning.

To increase uniformity and capacity throughout the OI Network, Opportunity International has begun installation of the Temenos eMerge Advanced software from Decentralized Banking Systems (DBS) in 20 of its Partners. During 2001, OI installed the system in five partners with plans for installation in an additional two partners early in 2002.

To help Partners plan for the future and analyze the current needs of their organizations, OI underwent a strategic planning process in 12 of its Partners, and provided needs assessments for technical assistance for its Partners in Macedonia, Montenegro, Zambia and Russia.

In addition, OI has begun the process of the conversion of several of its NGO partners to formal financial institutions:

- OI established the first “microfinance-oriented thrift bank” in the Philippines in August of this year.
- OI’s partner in Macedonia has been operating as a commercial financial institution for one year.

---

<sup>7</sup> # of indirect beneficiaries based on an average family size of five members.

- Opportunity Bank Montenegro is scheduled to begin operations in Quarter 1, 2002.
- OI will open a bank in Malawi beginning Quarter 2, 2002.
- OI's lead partner in India has purchased a non-banking finance company OI expansion throughout India.
- OI is currently preparing business plans and feasibility studies for bank conversions in Ghana and Zambia and registration of non-bank finance companies in Albania and Romania.
- OI has laid the foundation for a formal financial institution start-up in Mexico.

### **Network Sustainability**

OI is making significant progress in increasing sustainability of the Network. At the end of Grant Year Three, OI's average operational sustainability was 95.9%. This was a climb from 84.9% at the end of third quarter 1999, and an increase from 95.5% in 2000. The average arrears rate over 30 days was 5.2% down from 6.6% last year.

### *Opportunity Transformation Investments*

In order to improve its sustainability as a Network, OI has adopted a more commercial approach to its growth strategy. Part of this commercial approach is to establish different kinds of funding instruments that are more flexible and rely less on donor funding. One such instrument is Opportunity Transformation Investments, Inc. (OTI).

OTI seeks grants and debt from the public, foundations, corporations, government and multilateral sources. These resources are invested in OI Implementing Partners in a number of ways: direct equity investment, direct debt investment, deposits at local banks to guarantee local borrowings, letters of credit, and other domestic guarantees, etc.

The objective of OTI is to establish a \$ 20 to \$25 million fund by the end of 2003. OTI's investment capital will be supplemented by donated funds that will be used to support the development of the local capacity and infrastructure required to further increase the Partners loan portfolios. OTI's current balance is US\$2.2 million and has provided three equity investments, one loan and two loan guarantees to a total of six OI Partners.

### **Benefit Distribution and Leadership Development**

Both IDH and Zambuko make a significant amount of loans to women – 86% of IDH's clients are women and 77% of Zambuko's clients are women.

Zambuko Trust and IDH use the Trust Bank methodology, a group lending methodology that specifically targets the holistic transformation of women through credit and savings services, and leadership skills development.

### **Innovation and Technology Transfer**

## *HIV/AIDS*

Over the past several years, OI has done extensive research on MED as a tool to fight HIV/AIDS. Some of these findings were presented at the Africa Region Microsummit Meeting held in October 2000 in Harare, Zimbabwe.

In the beginning of 2001, Opportunity International and its six African Partners launched the African Microenterprise AIDS Initiative, which pursues a three-pronged strategy in addressing the AIDS epidemic through microenterprise development. Opportunity will form strategic alliances with expert groups providing care and support to AIDS-affected families. A youth apprenticeship program will target adolescents (who are often heads of households). And finally, it will support AIDS orphans by creating jobs and providing income to families that take them in. The plan will provide hope to women, young people, and AIDS orphans.

As of June 30, 2001, Opportunity's five African Partners had 60,000 active clients, representing a 50% increase over one year ago. These Partners provide economic assistance in geographic areas devastated by the HIV/AIDS crisis.

In one year, the Uganda Pilot Project has reached 1,200 families with the combined microenterprise development/AIDS prevention model. The Opportunity Partner has formed a strategic alliance with the AIDS Information Centre, a world-class AIDS prevention organization.

Partnerships have already been formed in Zambia, Zimbabwe, and Ghana. The expert AIDS partner organizations provide education and psycho-social services to Trust Bank clients at weekly meetings.

A youth apprenticeship program has been designed in Ghana and will soon be recruiting orphaned children. By year-end we expect 100 masters will be selected from among the Partner's 20,000 entrepreneurs. The program has been designed to engage adolescent boys and girls in productive economic activities.

The Malawi start-up has provided loans to 4,000 poor families in its first six months, in a geographic area where 1 in 3 adults are assumed HIV positive.

### *Client Impact Monitoring System*

In 2001, OI started piloting the Client Impact Monitoring System (CIMS). This system has developed quantitative indicators that help an organization determine the impact of their loan program on their clients' lives; and measure client satisfaction with the program. These indicators will be implemented into the eMerge Advanced MIS in 4 Partners in June 2002, with full implementation beginning later in 2002.

OI provided the following training on client impact assessment:

- Trained 150 delegates from Asia, including representatives from OI Partners in India and the Philippines, in a one-day workshop on impact assessment tools as part of the Asia Regional Meeting of the Microcredit Summit.
- Trained 40 members of the International Association of Alternative Financial Institutions (INAFI), including representatives from Opportunity's Partner in Zimbabwe, in a 4 day workshop on impact monitoring systems and market research tools.
- Trained 30 participants including representatives from OI Partners in the Philippines, India and Australia, on impact assessment tools in a week-long workshop sponsored by the Alliance for Philippine Partners in Enterprise Development (APPEND).
- Trained 20 members of the Eastern European Center for microfinance, including OI Partners in Poland and Russia, in a 3-day course on cutting-edge impact assessment practices and systems.
- Trained 10 members of OI Partner staff in Ghana in a two-week workshop on quantitative and qualitative impact assessment and market research tools.

#### *Opportunity International Network Website*

At the end of December 2000, OI activated a new Network website for OI Partners – [www.opportunity.net](http://www.opportunity.net). Through this website, OI Partners have access to over 280 documents including Partner Strategic Plans, Research Documents, Sample Proposals, Client Stories, Budgets, Quarterly Reports and Training Documents.

#### *Internal Knowledge Transfer*

In 2001, OI held regional conferences in Asia, Africa and Eastern Europe. At these conferences, OI partners shared best practices and techniques, as well as worked together to solve both shared and unique problems. Some topics covered were Governance, Transformation and Impact Assessment, Gender, and Women in Leadership.

#### *Group of 12*

In 2000, OI's Latin America Region created the Group of 12. The Group of 12 consists of approximately two Board members from each Latin America Partner. These Board members participate in various workshops on governance, and then take their knowledge back to their respective boards to teach the other members.

#### **Partnering with Local Entities**

IDH works with local NGOs to assist in training smaller groups of Loan Officers in credit management and loan assessment.

In light of the AIDS epidemic in Africa, Zambuko Trust has been working with other organizations that specialize in AIDS prevention and education in order to provide education and psycho-social services to its clients.

## **Replication Potential of Project Approach and Activities**

### *Lending Methodology*

The Trust Bank lending methodology has proven to be highly replicable. In the early 90s, the first Trust Bank projects were established at two Opportunity International Partners - KMBI in the Philippines and ADEMCOL in Colombia. Since that time, many other Opportunity Partners received training in the Trust Bank methodology and now approximately 30 Partners have Trust Banks as one of their lending products.

### *Client Impact Monitoring System*

The quantitative indicators developed for CIMS have been developed with input from several Partners and will continue to be developed throughout the piloting stage. This broad range of input should allow the indicators to be readily adapted to different cultural and economic contexts. Additionally, once they are implemented into the eMerge Advanced system, they will be easily transferable to those Partners receiving the system.

# Attachment One

## Form 1550-11

PVO PROJECT REPORTING INFORMATION  
ON A.I.D. SUPPORTED PVO PROJECTS

(See Instructions and OMB Statement on Reverse)

PAPERWORK REDUCTION ACT STATEMENT: Public reporting burden for this collection of information is estimated to average thirty hours, per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to:

Agency for International Development  
EVA/PVC/IPS, Room 102, SA-2  
Washington, D. C. 20523-0220  
or  
Office of Management and Budget  
Paperwork Reduction Project (OMB No. 0412-0590)  
Washington, D. C. 20503

FOR OFFICIAL USE ONLY

PVO Type	Project Number	
Appropriation	Level	
Country Code	Fund Type	Technical Code
Project Officer	Key 1	Key 2

PROJECT INFORMATION (PRIMARY)

Name of Organization <b>Opportunity International</b>		Grant/Contract Number <b>FA0-A-00-98-00070-00</b>
Start Date (MM/DD/YY) <b>09/21/98</b>	End Date (MM/DD/YY) <b>09/28/03</b>	A.I.D. Project Officer's Name <b>Sherrill Facht</b>

A.I.D. OBLIGATION BY A.I.D.-FY (\$000)

FY	AMOUNT	FY	AMOUNT

LOP ~~XXXXXXXXXX~~

Activity Description

Opportunity International is involved in the development of an indigenous agency which assists poor entrepreneurs through a revolving credit program. The project provides credit to microenterprises which will either improve the living standard of the owner or create jobs for the unemployed. The agency provides technical assistance in addition to credit through training seminars and on-sight visits.

Status

At the end of Year Three of the Matching Grant, IDH had 6,169 clients outstanding, 86% of whom were women. The size of their portfolio was US\$687,019 with a loan loss rate of 0.79%. Their operational sustainability was 104%.

COUNTRY INFORMATION (SECONDARY)

Country <b>Honduras</b>	Location in Country (Region, District, Village) <b>Comayagua/Tegucigalpa</b>
PVO Representative's Name <b>Jim Frantz</b>	Local Counterpart/Host Country Agency <b>Institute for Honduran Development</b>

COUNTRY FUNDING INFORMATION (\$000)

YEAR	FY99	FY2000	FY 2001
A.I.D. S	0	88	0
PVO S	0	165	309
INKIND			
LOCAL			
TOTAL	0	253	309

AID 1550-11 (1/97)

**PAPERWORK REDUCTION ACT STATEMENT:** Public reporting burden for this collection of information is estimated to average thirty hours, per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to:

Agency for International Development  
FVA/PVC/IPS, Room 102, SA-2  
Washington, D. C. 20523-0220  
or  
Office of Management and Budget  
Paperwork Reduction Project (OMB No. 0412-0550)  
Washington, D. C. 20503

**PVO PROJECT REPORTING INFORMATION  
ON A.I.D. SUPPORTED PVO PROJECTS**

(See Instructions and OMB Statement on Reverse)

**FOR OFFICIAL USE ONLY**

PVO Type	Project Number	
Appropriation	Level	
Country Code	Fund Type	Technical Code
Project Officer	Key 1	Key 2

**PROJECT INFORMATION (PRIMARY)**

Name of Organization Opportunity International		Grant/Contract Number FAO-A-00-98-00070-00
Start Date (MM/DD/YY) 09/21/98	End Date (MM/DD/YY) 09/28/03	A.I.D. Project Officer's Name Sherrill Facht

**A.I.D. OBLIGATION BY A.I.D.-FY (\$000)**

FY	AMOUNT	FY	AMOUNT

LOP

Activity Description

Opportunity International is involved in the development of an indigenous agency which assists poor entrepreneurs through a revolving credit program. The project provides credit to microenterprises which will either improve the living standard of the owner or create jobs for the unemployed. The agency provides technical assistance in addition to credit through training seminars and on-sight visits.

Status

As of September 30, 2001, Zambuko Trust had 8,720 clients, 70% of whom were women. The average loan size for Grant Year Three was US\$209. Zambuko had a portfolio of US\$1,075,948 and an operational sustainability of 85%. Zambuko's loans impacted over 18,000 jobs, and indirectly benefited 43,000 individuals.

**COUNTRY INFORMATION (SECONDARY)**

Country Zimbabwe	Location in Country (Region, District, Village) Bulalwayo/Harare/Kwekwe/Gweru/Chitungwiza
PVO Representative's Name Ken Appenteng-Mensah	Local Counterpart/Host Country Agency Zambuko Trust

**COUNTRY FUNDING INFORMATION (\$000)**

EAR	FY99	FY2000	FY 2001
I.D.S	51	169	51
P.O.S	29	72	272
KIND			
OCAL			
TOTAL	80	241	323

# Attachment Two

## Network Structure

